

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

CHESTERFIELD TOWNSHIP LIBRARY

Chesterfield, Michigan
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
PREPARED IN ACCORDANCE WITH GASB 34
December 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name CHESTERFIELD TOWNSHIP LIBRARY	County MACOMB
Audit Date 12/31/2004	Opinion Date 04/05/2005	Date Accountant Report Submitted to State: 06/30/2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

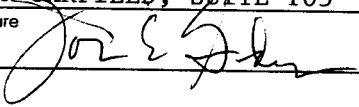
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) BUSS & COMPANY, P.C.			
Street Address 42550 GARFIELD, SUITE 105	City CLINTON TWP.	State MI	ZIP 48038
Accountant Signature 		Date JOHN E. GIDEON	

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
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INDEPENDENT AUDITOR'S REPORT

April 5, 2005

Board of Trustees
Chesterfield Township Library
Chesterfield, Michigan

Honorable Members:

We have audited the accompanying financial statements of the Chesterfield Township Library, a component unit of the Charter Township of Chesterfield, as of December 31, 2004, and for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I A, the financial statements present only the Chesterfield Township Library and are not intended to present fairly the financial position and changes in financial position for the year then ended of Charter Township of Chesterfield, County of Macomb, Michigan, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Chesterfield Township Library as of December 31, 2004, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Board of Trustees
Chesterfield Township Library
April 5, 2005
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The management's discussion and analysis on pages 3 through 4 and budgetary comparison schedule on page 16, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully,

BUSS & COMPANY, P.C.


Certified Public Accountants

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CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004

Using this Annual Report

This annual report consists of three parts - *Management's discussion and analysis* (this section), the *basic financial statements*, and *required supplemental information*. The basic financial statements include information that presents two different views of the Library:

- The *government-wide financial statements* provide both *long-term* and *short-term* information about the Library's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The governmental fund financial statements include information on the Library under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplemental information* that further explains and supports the information in the financial statements.

Condensed Financial Information

In a condensed format, the table below shows a comparison of key financial information for the current year to the prior year.

	<u>2004</u>	<u>2003</u>
Current Assets	\$1,963,972	\$1,777,498
Capital Assets	439,890	455,791
Total Assets	<u>\$2,403,862</u>	<u>\$2,233,289</u>
Other Liabilities	<u>\$1,039,349</u>	<u>\$ 970,028</u>
Total Liabilities	<u>\$1,039,349</u>	<u>\$ 970,028</u>
Net Assets:		
Invested in capital assets, net of debt	\$ 439,890	\$ 455,791
Unrestricted	924,623	807,470
Total Net Assets	<u>\$1,364,513</u>	<u>\$1,263,261</u>
Revenue:		
Property taxes	\$ 925,988	\$ 867,457
Other	157,313	148,731
Total Revenue	<u>\$1,083,301</u>	<u>\$1,016,188</u>
Expenses - Library Services	<u>1,037,935</u>	<u>926,323</u>
Net Revenue	\$ 45,366	\$ 89,865
Transfers	55,886	-
Change in Net Assets	<u>\$ 101,252</u>	<u>\$ 89,865</u>

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
December 31, 2004

Condensed Financial Information (Continued)

- The Library's net assets increased by \$101,252 this year. The primary reason for the increase is the continued growth of the Library's property tax base, which increased 7.6% from the prior year.
- The Library's primary source of revenue is from property taxes, which represents 85% of total revenue.
- Total expenses were 96% of total revenue for 2004. Salaries amount to approximately 44% of total expenses. Benefits amount to 16% of total expenses.

The Library's Fund

Our analysis of the Library's fund is included on pages 7 and 9. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as special property tax millages. All of the Library's activities are reported in a single fund.

The fund balance of the Library increased during the current year by \$118,668. The increase exceeded the budgeted decrease of \$73,660 by \$192,328. Revenues exceeded budgeted amounts by \$81,351 due primarily to property taxes increasing more than expected. Actual expenditures were less than budgeted expenditures by \$55,091 due to salaries and benefits not increasing as much as expected.

Library Budgetary Highlights

There were no amendments made to the original budget during the year. The only significant variance was related to computer purchases that were not included in the original budget and were purchased through the Suburban Library Cooperative's centralized purchasing account.

Capital Assets

At the end of the fiscal year, the Library had \$439,890 invested in building improvements, furniture and fixtures, equipment, and books and materials. The Library added \$82,721 in new collection items consisting of new books, various audio/visual materials and computer equipment and shelving. The total amount of collection materials disposed had a cost basis of \$80,380, which had a net book value of \$ -0-.

Economic Factors and Considerations for Next Year

The Library's tax base continues to increase with the growth of the Township. The Library needs to continue monitoring the budget to plan for and accommodate yearly increases in health care benefits and employee costs in order to maintain a stable and dedicated staff while being fiscally conservative with revenues and expenditures.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library Director, at 33091 23 Mile Road, Chesterfield Township, Michigan 48047.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
STATEMENT OF NET ASSETS
December 31, 2004

ASSETS

Cash and cash equivalents	
Investments	\$ 178,202
Taxes receivable	946,192
Due from other governmental units	828,016
Prepays and other assets	5,247
Capital assets	6,315
	<u>439,890</u>
Total Assets	
	<u>\$2,403,862</u>

LIABILITIES

Accounts payable and accrued liabilities	
Accumulated employee leave benefits	\$ 13,278
Deferred revenue	31,316
	<u>994,755</u>
Total Liabilities	
	<u>\$1,039,349</u>

NET ASSETS

Invested in capital assets, net of related debt	
Unrestricted	\$ 439,890
	<u>924,623</u>
Total Net Assets	
	<u>\$1,364,513</u>

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
STATEMENT OF ACTIVITIES
Year Ended December 31, 2004

<u>FUNCTION/PROGRAM:</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	
Governmental Activities:				
Library services/operations	<u>\$1,037,935</u>	<u>\$ 42,849</u>	<u>\$ 14,412</u>	<u>(\$ 980,674)</u>
<u>GENERAL REVENUES:</u>				
Property taxes				\$ 925,988
State revenues				71,893
Interest on investments				13,762
Contributions and donations				9,817
Other miscellaneous				<u>4,580</u>
Total General Revenues				<u>\$1,026,040</u>
NET REVENUE - GOVERNMENTAL ACTIVITIES				\$ 45,366
TRANSFER FROM CHARTER TOWNSHIP OF CHESTERFIELD				<u>55,886</u>
CHANGE IN NET ASSETS				\$ 101,252
<u>NET ASSETS:</u>				
Beginning of year				<u>1,263,261</u>
End of year				<u>\$1,364,513</u>

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
COMPARATIVE BALANCE SHEET
December 31, 2004 and 2003

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Cash		
Investment		
Taxes receivable	\$ 178,202	\$ 5,830
Prepaid expense	946,192	820,854
Due from other governmental units	828,016	922,546
Due from others	6,219	10,873
	5,247	17,378
	<u>96</u>	<u>17</u>
Total Assets		
	<u>\$1,963,972</u>	<u>\$1,777,498</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES:</u>		
Accounts payable		
Deferred revenue - Grants	\$ 13,278	\$ 10,189
Deferred Revenue - Property taxes	762	2,038
	<u>993,993</u>	<u>928,000</u>
Total Liabilities		
	<u>\$1,008,033</u>	<u>\$ 940,227</u>
<u>FUND BALANCE:</u>		
Reserved for prepaid expense and material purchases		
Designated	\$ 9,659	\$ 13,617
Unreserved, Undesignated	565,595	446,245
	<u>380,685</u>	<u>377,409</u>
Total Fund Balance		
	<u>\$ 955,939</u>	<u>\$ 837,271</u>
Total Liabilities and Fund Balance		
	<u>\$1,963,972</u>	<u>\$1,777,498</u>

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
RECONCILIATION OF FUND BALANCE TO THE STATEMENT OF NET ASSETS
For The Year Ended December 31, 2004

TOTAL FUND BALANCE - MODIFIED ACCRUAL BASIS

\$ 955,939

Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources and are not reported in the funds

439,890

Accumulated employee leave benefits are not due and payable in the current period and therefore are not reported in the funds

(31,316)

NET ASSETS - FULL ACCRUAL BASIS

\$1,364,513

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For The Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>REVENUES:</u>		
Property taxes		
Penal fines	\$ 925,988	\$ 867,457
State aid	39,252	38,119
Video/DVD rentals	32,641	31,050
Charges, fees, and fines	20,573	21,248
Interest and investment earnings	22,276	17,278
Donations	13,762	10,283
Grants and reimbursements	9,817	11,158
Miscellaneous	14,412	17,036
Total Revenues	<u>4,580</u>	<u>2,559</u>
	<u>\$1,083,301</u>	<u>\$1,016,188</u>
<u>EXPENDITURES:</u>		
Current:		
Salaries and wages	\$ 452,563	\$ 421,053
Payroll taxes	34,456	32,164
Benefits	164,445	90,824
ADP Processing fee	2,445	2,478
Magazines and newspapers	18,570	18,650
Supplies	31,492	28,774
Automation	44,601	41,421
Cooperative Services	16,293	15,525
Repairs and maintenance	8,935	10,576
Dues and meetings	11,515	6,258
Telephone and utilities	18,572	18,372
Professional fees	10,154	20,311
Insurance	11,204	10,241
Rent expense	74,628	74,628
Community outreach	7,423	4,098
Miscellaneous	7,901	9,431
Capital outlay	<u>105,322</u>	<u>106,787</u>
Total Expenditures	<u>\$1,020,519</u>	<u>\$ 911,591</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 62,782	\$ 104,597
<u>OTHER FINANCING SOURCES:</u>		
Transfer from Charter Township of Chesterfield	<u>55,886</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ 118,668	\$ 104,597
FUND BALANCE - JANUARY 1	<u>837,271</u>	<u>732,674</u>
FUND BALANCE - DECEMBER 31	<u>\$ 955,939</u>	<u>\$ 837,271</u>

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2004

NET CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS

\$118,668

Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense.

Depreciation expense

Capital outlay - in excess of \$2,000

(\$ 98,622)

82,721

Total

(15,901)

Expenses for employee leave benefits are recorded when earned in the statement of activities:

Reversal of employee leave benefits earned in 2003
2004 earned employee leave benefits

\$ 29,801

(31,316)

Total Effect of Employee Leave Benefits

(1,515)

CHANGE IN NET ASSETS - FULL ACCRUAL BASIS

\$101,252

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Chesterfield Township Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

A. GOVERNMENTAL REPORTING ENTITY

The Library is located in the Charter Township of Chesterfield, Michigan and is governed by an elected six-member board. The Library was formed under P.A. 164 of 1877 and remains a fund of the Township. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board and include only the results of operations of the Library.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in two parts - invested in capital assets, net of related debt; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Library reports all of its activities in a single fund on the modified accrual basis.

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2004

C. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Investments - The Library has defined cash and cash equivalents to include cash on hand and demand deposits.

The Library is authorized by state statute to invest surplus funds in bonds or other direct obligations of the United States, certificates of deposits, certain commercial paper, U.S. Government repurchase agreements, bankers acceptances, mutual funds and investment pools that are invested in authorized investment vehicles.

Receivables and Payables - Property taxes receivable represent uncollected property taxes levied on December 1, 2004.

Chesterfield Township property tax is levied on each December 1st on the taxable value of property (as defined by state statutes) located in the Township.

Although the Library's 2004 property tax is levied and collectible on December 1, 2004, it is the Library's policy to recognize revenue from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 taxable valuation of the Township totals approximately \$1.5 billion, on which ad valorem taxes levied consisted of 0.6518 mills for Library operations, raising \$993,000 for Library operating purposes. This amount is recognized in the financial statements as taxes receivable with an offsetting credit to deferred revenue. Taxes receivable has been reduced for amounts received during 2004.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$2,000 and an estimated useful life in excess of two years. Due to the significance of the Library's annual acquisition of Library books and materials and the shelf life on most materials extended beyond two years, annual acquisitions of books and materials are treated as capitalized assets in order to spread their cost over their estimated useful life. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment	5-20 years
Improvements	25 years
Library books and materials	5-7 years

Compensated Absences - Employees of the Library earn leave benefits on an annual basis. Employees are required to use a portion of the leave each year and are paid out the remaining balance each December. A liability exists for annual leave pay which is earned during 2004 to be used in 2005 because the Library has a policy to pay unused amounts upon separation. A liability for annual leave benefits has been accrued in the government-wide financial statements.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subjective to change.

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2004

C. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Reservations of equity show amounts that are not appropriate for expenditure or are legally restricted for specific uses.

Designations of equity are used to show the amounts within unreserved equity which are intended to be used for specific purposes, but are not legally restricted. Designated equity is intended for the following purpose:

General Fund	Provide funding for building or future expansion
--------------	--

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with generally accepted accounting principles is formally adopted for the Library. The budget can be amended by approval of the majority of the Board of Trustees. Amendments are presented to the Board at their regular meetings. All annual appropriations lapse at fiscal year end.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended December 31, 2004, the Library incurred expenditures in certain budgeted line items which were in excess of the amounts appropriated as follows:

	<u>BUDGET</u> <u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	<u>BUDGET</u> <u>VARIANCE</u>
<u>GENERAL FUND:</u>			
Payroll taxes	\$ 34,300	\$ 34,456	\$ 156
Automation	42,000	44,601	2,601
Capital outlay	98,000	105,322	7,322

III. DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

At year end, the Library's carrying amount of deposits was \$12,031 and the bank balance was \$33,722. The bank balance was fully covered by federal depository insurance.

The Library's investments at December 31, 2004 and during the year then ended consisted entirely of funds in a bank investment pool. The investment is recorded at fair value and is uninsured and uncollateralized.

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2004

B. CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2004 follows:

<u>CAPITAL ASSETS BEING DEPRECIATED:</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>ENDING BALANCE</u>
Improvements	\$107,414	\$ -	\$ -	\$107,414
Furniture and equipment	81,136	2,897	2,236	81,797
Library books and material	<u>707,723</u>	<u>79,824</u>	<u>78,144</u>	<u>709,403</u>
Accumulated depreciation	\$896,273	\$ 82,721	\$ 80,380	\$898,614
	(440,482)	(98,622)	(80,380)	(458,724)
Net Book Value	<u>\$455,791</u>	<u>(\$ 15,901)</u>	<u>\$ -</u>	<u>\$439,890</u>

C. LEASES

The Library leases its current facility under an operating lease dated January 18, 1999, which was extended during 2001. Monthly rent payments are \$6,219. The Library is also responsible for insurance and utilities. Rent expense for the year ended December 31, 2004 was \$74,628. The lease term ended December 31, 2004. The Library has reached an agreement on a new facility and will relocate in 2005.

IV. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workers' compensation benefits provided to employees. The Library has purchased commercial insurance to cover potential claims.

V. DEFERRED COMPENSATION PLAN

The Library has adopted a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries and may not be diverted to any other use. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Library's financial statements.

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2004

VI. DEFINED CONTRIBUTION PENSION PLAN

During 1999 the Library established a Money Purchase Plan and Trust in the form of the ICMA Retirement Corporation Prototype Money Purchase Plan and Trust. A defined contribution money purchase plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Library's defined contribution money purchase plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. All full time employees are included in the plan. Contributions made by the employee vest immediately and contributions made by the Library vest completely after five years of service. As established by the Library Board, the Library contributes 10% of each covered employees' base earnings and the covered employee contributes 2% of their base earnings. Employees may make additional voluntary contributions. In accordance with these requirements, the Library contributed approximately \$17,000 during the current year, and employees contributed approximately \$5,600.

During 2004 the Library established a defined benefit plan through the Municipal Employees' Retirement System of Michigan. Substantially all of the employees balances in the defined contribution plan were used to partially fund the defined benefit plan. Additional contributions will not be made and the plan will be terminated in 2005.

VII. DEFINED BENEFIT PENSION PLAN

The Library participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit plan that covers all full-time employees. The system provides retirement benefits to plan members. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for the MERS. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the MERS for these full-time employees was established by the Chesterfield Township Library's Board of Trustees and requires a contribution from the employees of 3% of gross wages and a contribution from the employer initially set at 10.74% of participating employees' gross wages.

VIII. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

Annual Pension Cost and Three-year Trend Information

The Library began participating in the MERS plan in 2004. During 2004, \$129,290 was transferred from the defined contribution plan to MERS for those employees who changed plans. For the year ended December 31, 2004, the Library's annual pension cost of \$86,262 for the plan was equal to the Library's required contribution and a one time lump sum payment of \$70,000 to reduce the Library's unfunded liability. The fair market value of the plan's assets approximated \$236,448 at December 31, 2004. An actuarial report on this plan is not yet available. The 2004 annual required contribution was determined as part of the initial actuarial valuation as of March 1, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8% investment rate of return, and (b) projected salary increases of 4.5% per year plus percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Schedule No. 1

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
BUDGETARY COMPARISON SCHEDULE
For The Year Ended December 31, 2004

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u> <u>(BUDGETARY BASIS)</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Property taxes	\$ 875,000	\$ 875,000	\$ 925,988	\$ 50,988
Penal fines	38,000	38,000	39,252	1,252
State aid	32,000	32,000	32,641	641
Video/DVD rentals	16,000	16,000	20,573	4,573
Charges, fees and fines	13,150	13,150	22,276	9,126
Interest and investment earnings	12,000	12,000	13,762	1,762
Donations	3,000	3,000	9,817	6,817
Grants and reimbursements	12,000	12,000	14,412	2,412
Miscellaneous	800	800	4,580	3,780
Total Revenues	<u>\$1,001,950</u>	<u>\$1,001,950</u>	<u>\$1,083,301</u>	<u>\$ 81,351</u>
EXPENDITURES:				
Salaries and wages	\$ 462,825	\$ 462,825	\$ 452,563	\$ 10,262
Payroll taxes	34,300	34,300	34,456	(156)
Benefits	195,525	195,525	164,445	31,080
ADP processing fee	2,800	2,800	2,445	355
Magazines and newspapers	21,000	21,000	18,570	2,430
Supplies	32,500	32,500	31,492	1,008
Automation	42,000	42,000	44,601	(2,601)
Cooperative services	17,000	17,000	16,293	707
Repairs and maintenance	11,200	11,200	8,935	2,265
Dues and meetings	11,660	11,660	11,515	145
Telephone and utilities	19,600	19,600	18,572	1,028
Professional fees	19,200	19,200	10,154	9,046
Insurance	12,000	12,000	11,204	796
Rent expense	74,700	74,700	74,628	72
Community outreach	10,000	10,000	7,423	2,577
Miscellaneous	11,300	11,300	7,901	3,399
Capital outlay	98,000	98,000	105,322	(7,322)
Total Expenditures	<u>\$1,075,610</u>	<u>\$1,075,610</u>	<u>\$1,020,519</u>	<u>\$ 55,091</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(\$ 73,660)</u>	<u>(\$ 73,660)</u>	<u>\$ 62,782</u>	<u>\$136,442</u>
OTHER FINANCING SOURCES:				
Transfers	-	-	55,886	55,886
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>(\$ 73,660)</u>	<u>(\$ 73,660)</u>	<u>\$ 118,668</u>	<u>\$192,328</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.

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MEMBERS
The American Institute of
Certified Public Accountants

The Michigan Association of
Certified Public Accountants

June 2, 2005

Board of Trustees
Chesterfield Township Library
Chesterfield Township, Michigan

Re: Supplemental System and Internal
Control Comments and Recommendations
in conjunction with audit for the year
ended December 31, 2004

Honorable Members:

In planning and performing our audit of the financial statements of Chesterfield Township Library for the year ended December 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. The following items are presented that could affect Chesterfield Township Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Internal control comments are made encompassing the concept that the cost of any internal control system should not be greater than the benefits obtained. The accomplishment of recommendations that are of a legal compliance versus internal control nature are not covered by the same cost concept, but are governed solely by legal requirements.

The Library was formed under P.A. 164 of 1877. It remains a fund of the Charter Township of Chesterfield even though the Library has an independent board. The Library and the Township have properly adopted a system for the receipt and expenditure of Library funds through the Township's Treasurer's Office.

BUDGETING

The Library has established an effective budgeting process which is used to control expenditures. We have reviewed the budgets for compliance with the Uniform Budgeting and Accounting Act P.A. 621 of 1978. The act requires that expenditures in a specific appropriations account beyond the amount of the original budget (general appropriations act), be approved by the Board with a transfer or supplemental appropriation. During the year ended December 31, 2004, the Library incurred expenditures in certain budgeted categories which were in excess of the amounts appropriated by the Board. The specific budget variances are detailed in note II of the annual financial report.

FUND BALANCE

During 2004, the Library's General Fund revenues exceeded expenditures by \$118,668. As a result, General Fund equity increased to \$955,939 at December 31, 2004.

A portion of the fund equity, \$9,659, is reserved for prepaid expenses and material purchases. The board has designated \$565,595 for construction of a building or future expansion, and \$380,685 is unreserved and undesignated. By maintaining an appropriate fund equity, the Library is able to meet unforeseen circumstances without affecting the level of programs for the year. The Library's unreserved, undesignated fund equity is equal to approximately 37% of expenditures, or 19 weeks of operation.

BUSINESS OFFICE

During the year, the business office continued refining its use of the accounting software package learning how to adapt the features of the program to improve the usefulness of the reports provided to management. Recording of the activity in the Suburban Library Cooperative centralized purchasing account, and considering this activity during the budgeting of expenditures, will reduce the likelihood of expenditures exceeding appropriated amounts. This has been discussed with the Business Administrator and will be implemented in 2005.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the administration of the Chesterfield Township Library. This restriction is not intended to limit distribution of this report which, upon acceptance by the Board of Trustees, is a matter of public record.

We appreciate the cooperation of the Library staff and trustees during our audit.

Respectfully submitted,

BUSS & COMPANY, P.C.

A handwritten signature in black ink, appearing to read "Buss & Company, P.C.", written in a cursive style.

Certified Public Accountants

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